



John Nygren

WISCONSIN STATE REPRESENTATIVE ★ 89TH ASSEMBLY DISTRICT

State Representative John Nygren
Testimony on Portable Electronics Act
Assembly Committee on Insurance
February 23, 2012

Chairman Petersen and Members of the Committee,

Good morning, I would first like to thank you for bringing Assembly Bill 541 in front of your committee for a public hearing.

In today's society, people have become heavily reliant on all different types of portable electronics. Most people have taken to replacing home phones with cell phones, using GPS to get them to where they are going and using laptops or iPads both personally and professionally. The reliance on these devices has created a demand for coverage against loss, theft, mechanical failure, malfunction or damage over and above the factory warranty.

Assembly Bill 541 establishes criteria for selling and offering portable electronics insurance. Working with Senator Lasee, we have crafted this bill to encompass all portable electronics; alleviating the need for a change in law when new products enter the marketplace.

Under current law, a person may not solicit, negotiate, or place insurance or advise others about insurance needs and coverage without a certificate of authority or a license as an insurance intermediary.

This bill creates a regulatory framework for vendors or their employees who sell portable electronics to also offer insurance without a license, provided the vendor complies with very specific requirements.

In order to benefit under this bill a vender must provide in writing a summary of the material terms of the coverage, how to file a claim, what the cancellation and termination policy is, that the customer is not required to purchase the insurance as a condition of purchasing the product and that the purchase of the insurance may result in duplication of coverage under other insurance policies they may have.

In addition, a vendor must supervise or hire someone to supervise the administration of the sale of portable electronic insurance, maintain a registry of the vendor locations authorized to sell portable electronics insurance and complete a training program.

I have worked closely with the Office of the Commissioner of Insurance and other stakeholders to ensure there are clear regulatory requirements. I believe this bill will provide consumers with added protection on devices that are so instrumental in our lives. Just like car, life, health, or home insurance, consumers desire the opportunity to protect themselves from potential loss.

In closing, I would like to thank you for scheduling this bill for a hearing and for allowing me the opportunity to submit testimony.



February 22, 2012

Honorable Kevin Petersen, Chairman of the Assembly Committee on Insurance
Members of the Assembly Committee on Insurance

Re: AB 541 – An Act Concerning Portable Electronics Insurance

Dear Chairman Petersen:

On behalf of Assurant we would like to request your **support** of **AB 541** when it comes before you for consideration. Assurant Solutions businesses' develop, underwrite, market and administer specialty insurance, extended service contracts and other risk management solutions through collaborative relationships with leading financial institutions, retailers, automobile dealers, funeral homes, manufacturers, wireless carriers and other entities. With operations in 25 locations, including executive offices in Atlanta, Assurant Solutions serves clients and their customers in 12 countries throughout North America, the Caribbean, Latin America, Europe and Asia. Assurant is a premier provider of specialized insurance products and related services in North America and select worldwide markets. Assurant is a Fortune 500 company and a member of the S&P 500, is traded on the New York Stock Exchange under the symbol AIZ. Assurant has approximately \$27 billion in assets and \$8 billion in annual revenue. Assurant additionally employs approximately 1,250 people in the State of Wisconsin.

We are in support of this bill because it modernizes existing law in the Insurance Code, which covers the licensure of limited lines insurance agents, by expanding the current law to appropriately regulate the offering of insurance covering "portable electronics." The portable electronics concept authorizes a broad scope of coverage for consumer devices so that a law change is not necessary every time a new product is brought to the market.

The bill provides clarity and regulatory certainty to the regulated community regarding the licensure of wireless carriers for the sale of portable electronics insurance. We also support the consumer protections the bill offers, including training requirements for a vendor's employees and authorized representatives selling this product, disclosure requirements at the point of sale, and others.

We have and are supporting this legislation in numerous other states and passing this bill will be consistent with the national trend for the regulation of portable electronic insurance coverage.

Again, Assurant would appreciate your favorable support of this legislation. If you have any questions, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Paul A. Basile", written over a horizontal line.

Paul A. Basile,
Assurant Inc.
Vice President
Government Relations

MEMORANDUM

TO: The Sponsors of AB 541 and SB 429 – Portable Electronics Insurance

FROM: Professional Insurance Agents of Wisconsin

DATE: February 23, 2012

I. Recommended Amendment: Place a \$1,500 coverage cap on this insurance coverage and PIA will accept this. Without such a financial limit we must, regretfully, oppose.

II. Basic Insurance Agent Issue with this Bill.

About 120,000 insurance agents are licensed by OCI. These agents: pay license fees; are regulated by Ch. 628 comprising of 12 pages of the Wis. Stats.; and are subject to OCI Administrative Rules on marketing of insurance.

None of the above will apply to someone selling “insurance” (for portable electronic devices) under this bill. We ask why? Where is the “bright line” between the need for a license/regulation and . . . no license/regulation?

III. Concerns with this type of Insurance Policy. We are very concerned that the agent licensing law is being ignored to accommodate exceptionally expensive insurance coverage of very questionable value to the consumer. Consider:

1. **Apple I Phone Retail Cost**

16 GB Phone	\$199.00
32 GB Phone	\$299.00
64 GB Phone	\$399.00

Point: This is the “typical” product for which the “portable” electronics insurance policy will be used.

2. **Typical “Portable Electronics” Ins. Policy Provisions**

If phone is LOST

- Phone will be replaced with a **reconditioned phone** – not a new phone
- \$5.95 premium per month = \$71.40/year
- \$50.00 deductible

Point: This is very expensive insurance to get a reconditioned phone!

MEMORANDUM

TO: The Sponsors of AB 541 and SB 429 – Portable Electronics Insurance
FROM: Professional Insurance Agents of Wisconsin
DATE: February 23, 2012
PAGE: 2

3. **Total customer out-of-pocket, to get a reconditioned phone, if new phone is LOST after 1 year and “portable electronics” insurance policy is used to get replacement phone** = \$71.40 premium + \$50 deductible = \$121.40

Point: A consumer will have paid \$121.40 to get a “reconditioned” phone, when he/she could buy a new 16 GB Apple phone for \$199.

4. **Portable Insurance Premium Cost (1 year) as percentage of cost of appliance insurance**

<u>I Phone – Phone Type /Transaction</u>			<u>Insurance Premium as a % of Phone Cost</u>
16 GB Phone	$\frac{\$71 \text{ insurance premium}}{\$199 \text{ cost of phone}}$	=	35%
32 GB Phone	$\frac{\$71 \text{ insurance premium}}{\$299 \text{ cost of phone}}$	=	24%
64 GB Phone	$\frac{\$71 \text{ insurance premium}}{\$399 \text{ cost of phone}}$	=	13%

Point: This is a staggeringly expensive form of insurance when compared to any homeowner or other property & casualty policy sold by a licensed insurance agent.

5. **Comparison to Cost of Homeowners Insurance**

From WI OCI’s “Consumer’s Guide to Homeowner Insurance” Example 4, p. 26:

- A 20 year old home worth \$150,000 – the average cost for homeowner’s insurance is \$756/year (based on pricing by 14 Wisconsin licensed property casualty insurance companies).
- The homeowner’s policy premium cost as a percentage of home loss coverage secured is:

$$\frac{\$756 - \text{Annual Premium}}{\$150,000 \text{ value of home}} = .5 \text{ of } 1\% \text{ or } .005$$

MEMORANDUM

TO: The Sponsors of AB 541 and SB 429 – Portable Electronics Insurance
FROM: Professional Insurance Agents of Wisconsin
DATE: February 23, 2012
PAGE: 3

Compare portable insurance annual cost of premium to a “typical” homeowners annual cost of premium as a percentage of replacement cost of a home:

<u>Phone Type</u>	<u>Portable Ins. Annual Premium Cost</u>	<u>Portable Premium as a % of Cost of Phone</u>	<u>Home Ins Premium as a % of Cost</u>	<u>Portable Insurance Cost Comparison to Homeowners Ins. as a % of Item Covered</u>
16 GB	\$71.00	35% ÷	.005	= 70 times more expensive/\$1000 coverage
32 GB	\$71.00	24% ÷	.005	= 48 times more expensive/\$1000 coverage
64 GB	\$71.00	13% ÷	.005	= 26 times more expensive/\$1000 coverage